The Self-Assessment Tax Deadline Looms

The self-assessment tax deadline is approaching and many of your clients may be beginning to consider making a pension contribution to reduce their income tax liability. Although the tax deadline comes around every year, pensions and the backdating of contributions can throw up some questions and complications. To help you have this conversation with your clients, below are the Top 5 questions Pensions Advisory Services come across.

Who has to file a self-assessment tax return and when is the deadline?

Self-employed individuals along with proprietary directors (own more than 15% of a company) and people with non Pay-As-You-Earn (PAYE) income (e.g. rent, foreign income) have to file a self-assessment tax return. Those who both pay and file their tax returns through the Revenue Online Service (ROS) have until **12th November 2015** to

- File their 2014 income tax return
- Pay any balance of income tax outstanding for 2014
- Pay preliminary income tax for 2015

While the majority now make their returns through ROS, remember that for those who don't both pay and file their returns through ROS the deadline is **31st October 2015**. These clients have the opportunity to make a pension contribution before the tax deadline (31st October or 12th November 2015) which they can set against their 2014 income tax liability. Contributions paid after the tax deadline cannot be set against the previous tax year. It is a Revenue requirement that self-assessed individuals file their tax returns online using ROS if they wish to claim income tax relief on their pension contributions.

What about employees, can they pay a pension contribution and backdate it to 2014?

In most cases, yes but it will depend on their circumstances and whether they are in pensionable or non-pensionable employment. Those whose 2014 income is from pensionable employment (members of an occupational pension scheme) can pay Additional Voluntary Contributions (AVC) or Personal Retirement Savings Account (PRSA) AVC and backdate the contribution against the income tax they paid in 2014 provided they are **still in the same employment**. Employees whose 2014 income is from non-pensionable employment can pay personal pension or PRSA contributions and backdate them.

Most employees do not usually file an income tax return as all their tax is collected through the PAYE system. However if they want to backdate their pension contribution to the previous year they must file a tax return. They will then receive a tax rebate from the Revenue Commissioners. Employees may be less likely to qualify for the ROS deadline extension and so have until **31st October 2015** to pay the pension contribution and file their 2014 tax return.

So employees who have left employment cannot make a pension contribution against 2014, is that true?

Unfortunately there isn't a straightforward answer to this question. If an employee was in non-pensionable employment in 2014 and left that employment they can make a personal pension or PRSA contribution and backdate it to 2014. This can be done even if they have joined an occupational pension scheme with their new employer. However it is important to remember that the personal pension or PRSA contribution can only be set against their non-pensionable income and not any income they received from their new pensionable employment during 2014. A problem arises for employees who were in pensionable employment. Where clients are a member of an occupational pension scheme they must make their pension contributions before leaving that employment. This means clients who were in pensionable employment and have since left cannot pay a pension contribution now against the income from that past employment.

"Although the tax deadline comes around every year, pensions and the backdating of contributions can throw up some questions and complications"

By Marie Ann Reidy, Pensions Specialist Advisory Services, Irish Life

What about those with two sources of income? Are there any restrictions if they want to make pension contributions?

There is no restriction if the individual's total earnings are less than the €115,000 earnings cap. But care is needed for those earning more than €115,000 with two sources of earnings,

- one where they are in an occupational pension scheme to which they are paying employee contributions and/or AVCs, and
- the other either non-pensionable or self-employed.

In such cases the pensionable employment uses up the €115,000 cap first. This means that if a client's pensionable income exceeds the €115,000 cap they cannot claim income tax relief against any pension contributions made in respect of their non-pensionable or self-employed earnings. Clients in these circumstances who want tax relief on their pension contribution should look at maximising their AVCs.

Clients whose pensionable income is less than €115,000, but their total income exceeds this cap, will be restricted in how much of a pension contribution they can set against their non-pensionable or self-employed earnings. For more information and examples of how this operates please see our Dual Income Flyer which is available on bline.ie.

Is there a tax deadline for companies looking to pay pension contributions for their employees and directors? How do they get relief?

There isn't one tax deadline date applicable to all companies. Instead each company will have their own tax year, though for a significant number the company accounting year runs from January to December. Unlike personal or employee contributions, employer pension contributions cannot be backdated. As a result December can be a busy month with employers looking to make last minute pension contributions for their employees and directors.

Employer regular pension contributions will receive relief in the year in which the pension contribution was paid. However, remember that relief on employer single premiums may have to be spread forward if the total employer single premium exceeds the total employer regular premium for all employees. For more information on how relief is spread forward please see Irish Life's Adviser's Guide to Pensions, available on bline.ie.

Supports for you this Pension Season

Irish Life has put together a range of supports to help you this pension season. These include our Tax Deadline Flyer, pension calculators, technical and sales documents. For more information please see bline.ie or contact your Irish Life Account Manager.